

5.2 IRVINGTON UNIFIED REDEVELOPMENT AREA

Consideration of Rescinding and Terminating the Irvington Unified Redevelopment Area Designation.

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Executive Summary: On March 28, 2000, the Agency Board passed a resolution establishing the Irvington Unified Redevelopment Area (Original Unified Redevelopment Area). On May 28, 2002, two additional parcels were added (Amended Unified Redevelopment Area, otherwise referred to as the Site). The Agency established this Site (including parcels in the area generally bounded by Fremont Boulevard, Irvington Avenue, Trimboli Way and Bay Street, excluding 4000, and 4008, Bay Street and 41013 Fremont Boulevard) having determined that the redevelopment of these multiple properties in a unified manner was a means of meeting the revitalization objectives of the Irvington Redevelopment Plan. Subsequent to the designation of the Site, the Agency solicited developer proposals, attempted to facilitate the expedited clean-up of hazardous materials from the Site, adopted a relocation plan for tenants on the Site, entered into an Exclusive Right to Negotiate Agreement (ERNA) with Santa Clara Development Company regarding the redevelopment of the Site, made property acquisition and tenant relocation offers to those currently occupying the Site, and, most recently, retracted property acquisition and tenant relocation offers regarding the Site in light of budget uncertainties.

The Agency retracted its offers due to the proposed State of California legislation that could significantly shift tax increment revenue from the Fremont Redevelopment Agency as one component of the State's budget shortfall. If the Agency proceeded with its estimated investment of more than \$14 million to acquire the Site and relocate the tenants, the proposed State action could potentially compromise the Agency's ability to meet its other existing funding obligations (e.g. debt service and commitment to regional transportation projects). Since the development of the project by Santa Clara Development Company anticipated the acquisition of the Site by the Agency, and this will no longer occur, staff is recommending that the Agency Board adopt a resolution:

1. Rescinding and terminating the Irvington Unified Redevelopment Area designation to reflect that it has no current plans to assemble land or cause relocation of tenants within the Unified Site, and to allow property owners and tenants of the area to plan their future private business and investment activities accordingly.
2. Authorizing and directing the Executive Director to take all actions and execute all documents on the Agency's behalf necessary to cause termination of the Santa Clara Development ERNA.

BACKGROUND: The Agency adopted the Irvington Area Redevelopment Plan in 1977 and amended the plan in July 1998. The general goals of this redevelopment plan are as follows:

1. The elimination of adverse physical and economic conditions within the Project Area.
2. The enhancement of the historic business district in Irvington, including the attraction and retention of neighborhood serving commercial facilities, and the attraction of restaurants and specialty retail uses to make Irvington a destination point for workers in the industrial and other areas of Fremont.
3. The conservation and enhancement of existing residential neighborhoods, through housing rehabilitation, and circulation, open space and other public improvements.
4. The creation of residential opportunities for various segments of the community, including the provision of quality affordable housing within and outside the Project Area, as required by Redevelopment Law.

On March 28, 2000, the Agency Board passed a resolution establishing the Irvington Unified Redevelopment Area (Site). The Agency took this action recognizing that the Site was a critical to the redevelopment of the project area. The following provides a chronology of primary subsequent Agency actions regarding the Site:

May 2000 – Staff prepared and distributed a Request for Proposals (the "RFP") in accordance with the Irvington Redevelopment Plan, the Agency's Owner Participation Rules and Resolution No. 248, setting forth the selection criteria and soliciting proposals for one or more master developers for the Original Unified Redevelopment Area

June 5, 2001 - Agency Board adopted Resolution No. 274 directing the Executive Director to work with City-Core Irvington, LLC (developer) for a period of 90 days to review opportunities to reduce the costs to the Agency of development and site planning issues regarding the Original Unified Redevelopment Area. A key component to the development proposal was a proposed Whole Foods market for the development.

October 23, 2001- Agency Board authorized the Executive Director to enter into an Exclusive Right to Negotiate Agreement (the "City-Core ERNA") with City-Core Irvington, LLC for a period of 180 days (with limited extensions as deemed appropriate by the Executive Director) to attempt to negotiate a Disposition and Development Agreement (a "DDA") for the Original Unified Redevelopment Area.

February 26, 2002 – As a result of material changes in the City Core proposal (Whole Foods withdrawal from the project) the Agency Board rescinded its authorization to the Executive Director to enter into the City-Core ERNA; and authorized staff to: (1) complete the work underway characterizing the environmental conditions of the Original Unified Redevelopment Area and engage the appropriate regulatory agencies in the development of a remediation strategy to clean up the Original Unified Redevelopment Area; (2) investigate the interest of other specialty grocery store anchor tenants in the Original Unified Redevelopment Area; (3) analyze the costs and feasibility of alternate development options for the Original Unified Redevelopment Area and conduct a community workshop to obtain community input on these development options; and (4) return to the Agency Board by May 2002 or an appropriate time soon thereafter with the results of these activities and a recommendation regarding whether to engage in a new process to solicit owner and developer proposals for the redevelopment of the Original Unified Redevelopment Area, and/or pursue property acquisition within the Original Unified Redevelopment Area

May 28, 2002 - the Agency received and considered an extensive staff report addressing the costs, benefits and risks of proceeding with redevelopment of the site, the Agency Board adopted a resolution that: (1) modified the Original Unified Redevelopment Area to include the 4024 Bay Street parcel and 4032 Bay Street parcel (as so modified, the "Amended Unified Redevelopment Area") to improve the ability of the Agency and the selected developer to meet the redevelopment objectives for the site, including orientation of retail and restaurant space to Bay Street; (2) authorized staff to begin the acquisition process for the properties comprising the Amended Unified Redevelopment Area; (3) authorized staff to issue a Request For Qualifications (the "RFQ"), consistent with the objectives and criteria in the staff report presented to the Agency Board on May 28, 2002 regarding the Amended Unified Redevelopment Area, for a developer who seeks to build a mixed-use development project with commercial orientation toward Bay Street and the Five Corners; (4) authorized staff to continue working with regulatory agencies on developing an environmental remediation strategy for the Amended Unified Redevelopment Area and seek cost recovery from parties responsible for the contamination; (5) authorized staff to develop a Relocation Plan for tenants on the Amended Unified Redevelopment Area; (6) authorized staff to pursue the demolition of the vacant gas station located on 41093 Fremont Blvd; (7) authorized the transfer of \$400,000 in appropriations from the reserves for property acquisition and development (951 RDA 1026) to Irvington Monument Center (951 RDA 1012) to undertake the work referenced in Resolution No. 298; and (8) authorized staff to select three community members to assist in formulating the RFQ and in reviewing developer responses to it.

August - November 2002 – Agency made offers to acquire fee title to all but one of the properties within the Amended Unified Redevelopment Area.

October 1, 2002 - Agency selected Santa Clara Development Company as the preferred developer, and authorized the execution of an Exclusive Right to Negotiate Agreement with Santa Clara Development Company to seek to negotiate a DDA for the Amended Unified Redevelopment Area, and the Agency thereafter entered into such agreement dated as of October 1, 2002.

October 8, 2002 – Agency adopted a relocation plan addressing the relocation of existing tenants occupying the Site.

November 2002 – December 2002 - Agency made offers for settlement of relocation and related claims to all tenants within the Amended Unified Redevelopment Area

January 14, 2003 – Considering the potential shift of significant tax increment funds from the Fremont Redevelopment Agency to the State of California in FY 2003-04 and future years the Agency determined on January 14, 2003 that it was necessary to rescind the offers and terminate the acquisition and relocation process for the Amended Unified Redevelopment Area.

Discussion: The Agency initially focused on this Site because it is a critical location in the Irvington Project Area and the redevelopment of the site met the goals of the Irvington Redevelopment Plan. The redevelopment of the site had the potential to stimulate new investment in the surrounding commercial area, including Bay Street. The acquisition of the Site has very significant challenges and costs to a private developer. There are multiple property owners, oddly configured parcels, two hazardous materials areas, and multiple tenants, some of whom have challenging relocation criteria. These critical

location objectives combined with these challenges and costs, caused the Agency to take an active role in attempting to facilitate the unified redevelopment of the Site.

The Agency's prospective investment in the property acquisition and tenant relocation component of the project was estimated at more than \$14 million. If the Agency began acquiring individual properties it would be very difficult to meet the objectives of a unified development of the site without continuing with the complete acquisition of the site. Given the parcel configuration, the phased development of the Site by the developer, without having acquired the entire Site, poses very significant challenges.

The Agency's recent decision to rescind property acquisition and tenant relocation offers was a time sensitive decision. At the time of the Governor's State budget release on January 10, 2003, which proposed to shift local redevelopment agency funding to the state, offers had already been extended to all property owners and tenants. Certain tenants had begun investigating relocation options and making relocation plans. However, no property acquisition agreements or tenant relocation settlement agreements had yet been executed. With the uncertainty of the timing of the resolution of the State budget impact on redevelopment agencies, the Agency Board authorized the retraction of these offers on January 14, 2003. These offers were retracted because if the Agency proceeded with its estimated investment of more than \$14 million to acquire the site and relocate the tenants, the proposed State action could compromise the Agency's ability to meet its other existing funding obligations (e.g. commitment to regional transportation projects).

The Agency entered into an Exclusive Right to Negotiate Agreement with Santa Clara Development on October 1, 2002 regarding the negotiation of a Disposition and Development Agreement between the parties governing the terms of the redevelopment of the Site. The parties had commenced with discussions regarding conceptual site plans and business terms. The Developer submitted a Preliminary Review Process in early January 2003. The Agency's retraction of property offers will preclude the ability of the Agency to enter into a DDA with Santa Clara Development. Given this, staff recommends that the Agency terminate the Santa Clara Development ERNA.

Staff also recommends that the Agency terminate and rescind the Unified Site designation on the parcels. This will terminate the Agency's active role in the redevelopment of the site. Staff will continue to play a limited role in facilitating the expedited cleanup of the two hazardous materials issues on the Site by coordinating with the existing property owners and the regulatory agencies.

ENCLOSURE: None.

RECOMMENDATION: That the Agency Board adopt a resolution:

1. Rescinding and terminating the Unified Redevelopment Area designation to reflect that it has no current plans to assemble land or cause relocation of tenants within the Unified Site, and to allow the property owners and tenants of the area to plan their future private business and investment activities accordingly.
2. Authorizing and directing the Executive Director to take all actions and execute all documents on the Agency's behalf necessary to cause termination of the Santa Clara Development ERNA.

